

Monitoring Report - Solomon Islands – SolTuna Processing Facility

Site visit: August 2016

Report prepared by: LJohnston, USAID/E3

Project: SolTuna Processing Facility

Safeguard Category: A

Projected Cost: \$27.0 million

Board Approval: June 2013

Current Status: SolTuna Limited (SolTuna) is the Solomon Islands only tuna processing operation comprising a cannery, and a loining and cold storage facility based in Noro, Western Province. SolTuna obtains its product from the National Fisheries Development Ltd. (NFD), also based in Noro. NFD is the Solomon Islands only domestic tuna fishing operation.

IFC's \$10 million loan is part of a \$27 million upgrade and expansion project, which is expected to increase the company's processing capacity from 90 tons per day to 150 tons per day and strengthen the sustainability of its operations. Current production is 100-105 tons/day.

As part of IFC loan commitments, SolTuna has hired two full-time safety officers, continues to improve employee housing and reduce waste effluents. Additionally, the company is diversifying its water sources and improving energy efficiency. Due to the high percentage of women employed by SolTuna, the company is working with the Australian Government and the IFC to help address barriers to women's participation in the workplace.

In July 2016, the Solomon Islands skipjack and yellowfin tuna purse seine and pole and line fishery obtained Marine Stewardship Council (MSC) certification. This certification recognizes that these species are caught from well-managed stocks and that fishing practices meet MSC's requirements for sustainability.

Purpose of the Monitoring Review:

Public Law No. 113-235 requires the United States Agency for International Development (USAID) undertake monitoring reviews any time during the life of a project following financing approval by the respective multilateral development bank (MDB). The purpose of these reviews is to assess the adequacy of safeguard implementation for the project and incorporation and effectiveness of any USG recommendations. Projects subject to a monitoring review are identified based on pre-Board approval reviews that look for potential impacts on:

- the environment,
- natural resources,
- public health, and
- indigenous peoples.

This monitoring review is focused on the 2013 International Finance Corporation (IFC)-financed expansion of the SolTuna Processing Facility in the Solomon Islands.

Prior to the World Bank Executive Directors Board decision, USAID reviewed the environmental and social aspects of the proposal and provided recommendations to the U.S. Department of Treasury. USAID's (2013) focused on specific aspects of the following IFC Performance Standards¹ (PS): PS 2: Labor and Working Conditions² and PS 6: Biodiversity Conservation and Sustainable Management of Living Resources³. Specific issues raised were: treatment of gender issues given the high employment of women; selection of tuna species for increasing production capacity; the adequacy of observer coverage on vessels to verify compliance with national and international regulations; and whether climate variability was included in the assessment.

The key Environmental and Social (E&S) issues for the IFC's appraisal⁴ focused on PS 1: Assessment and Management of E&S Risks and Impacts⁵, including suppliers construction impacts from the proposed upgrades to be financed, emergency preparedness and response systems; PS 2: Labor and Working Conditions, including environmental, health, safety and social management and management of contractors; PS 3: Resource Efficiency and Pollution Prevention⁶, including treatment of organic waste effluents; and PS 6: Biodiversity Conservation and Sustainable Management of Living Resources, including SolTuna's supply chain and the sustainability of the tuna species supplied (or to be supplied) by SolTuna's primary supplier, NFD.

Methodology

This monitoring review was limited to the specific areas that USAID's pre-Board review highlighted. These areas fall under PS 2: Labor and Working Conditions and PS 6: Biodiversity Conservation and Sustainable Management of Living Resources. As part of the review process, USAID's Bureau for Economic Growth, Education, and Environment (E3) gathers information from available literature,

¹ IFC's Performance Standards define clients' responsibilities for managing their environmental and social risks.

² http://www.ifc.org/wps/wcm/connect/2408320049a78e5db7f4f7a8c6a8312a/PS2_English_2012.pdf?MOD=AJPERES

³ http://www.ifc.org/wps/wcm/connect/bff0a28049a790d6b835faa8c6a8312a/PS6_English_2012.pdf?MOD=AJPERES

⁴ <http://ifcext.ifc.org/ifcext/spiwebsite1.nsf/651aeb16abd09c1f8525797d006976ba/82f0596586e244cf85257b4100665c3f?OpenDocument>

⁵ http://www.ifc.org/wps/wcm/connect/3be1a68049a78dc8b7e4f7a8c6a8312a/PS1_English_2012.pdf?MOD=AJPERES

⁶ http://www.ifc.org/wps/wcm/connect/25356f8049a78eeeb804faa8c6a8312a/PS3_English_2012.pdf?MOD=AJPERES

observations made during a site visit to various project areas, and semi-structured interviews with stakeholders (including IFC, SolTuna management, and researchers). The site visit included a tour of the SolTuna processing facility, Ministry of Fisheries and Marine Resources Compliance Office and a training session for newly hired compliance officers. Findings related to other IFC PSs, which were raised during the course of the site visit, are also presented.

Solomon Islands Tuna Industry

Solomon Islands is one of eight Pacific Island countries that is a Party to the Nauru Agreement (PNA). These eight countries control the world's largest sustainable tuna purse seine fishery and have adopted a number of conservation measures including: high seas closures to fishing, controls on Fish Aggregating Devices and protection for whale sharks. Through a Vessel Day Scheme, PNA members agree on a limited number of fishing days for the year based on scientific advice about the status of the tuna stocks. Fishing days are then allocated by country and sold to the highest bidder. This approach allows for Pacific Islanders to receive economic benefits from their sustainable management of tuna.

Four species of tuna, skipjack, yellowfin, bigeye and albacore support the main oceanic fisheries in the Western and Central Pacific Ocean (WCPO). The Solomon Islands stock of skipjack, yellowfin and albacore were assessed several years ago and it was determined that the current level of fishing effort for these species is sustainable in the long term.⁷ In July 2016, the Solomon Islands skipjack and yellowfin tuna purse seine and pole and line fishery achieved Marine Stewardship Council (MSC) certification. This certification recognizes that these species are caught come from well-managed stocks and that fishing practices meet MSC's requirements for sustainability.

Solomon Islands tuna accounts for around seven percent (more than 150,000 tons) of the total WCPO catch with an estimated value of US\$180 million. However, the bulk of the catch is taken by foreign fishing vessels under licensing agreements and processed at facilities located outside of the Solomon Islands. Access fees paid to fish in the Solomon Islands Economic Exclusion Zone (EEZ) represent only around five percent of the landed (not retail) value of the catch. Since 2012, Solomon Islands has required long-line vessels licensed to fish in their EEZ to land their catch locally for processing in preparation for transshipment, thereby increasing local development and employment opportunities.

The Ministry of Fisheries and Marine Resources is responsible for managing the country's aquatic resources. The Ministry has a Compliance Office whose officers conduct inspections of all foreign fishing vessels that request port privileges, with specific onshore and offshore processes for vessels that are suspected to be involved in Illegal, Unreported and Unregulated (IUU) fishing. This effort is supported through the Vessel Monitoring System (VMS)⁸ which tracks fishing vessels in the Solomon Islands EEZ and surrounding high seas. The VMS is used in conjunction with patrol boats, aircraft, and data analysis to deter and detect illegal fishing vessels. Australia and New Zealand continue to support maritime surveillance and security patrols in the Solomon Islands EEZ.⁹ The Ministry has a Noro-based Compliance team whose responsibility includes vessel inspection and catch documentation.

⁷ Tuna Supply and Sustainability Report SolTuna: Project No: 32053

[https://ifcextapps.ifc.org/ifcext/spiwebsite1.nsf/0/EF45494EE2FAAF3385257B410065BB9F/\\$File/ESRS%20Annex%20-%2032053%20Tuna%20Sourcing%20and%20Sustainability%20Report.pdf](https://ifcextapps.ifc.org/ifcext/spiwebsite1.nsf/0/EF45494EE2FAAF3385257B410065BB9F/$File/ESRS%20Annex%20-%2032053%20Tuna%20Sourcing%20and%20Sustainability%20Report.pdf)

⁸ VMS is a satellite system using ship beacons that emit a signal and can be mapped, within Google-based technology to chart vessels and their movements.

⁹ <http://www.pireport.org/articles/2016/08/31/australia-nz-support-solomon-islands-maritime-security>

SolTuna Processing Facility

SolTuna Limited (SolTuna) is Solomon Islands only tuna processing operation comprising a cannery, loining and cold storage facility based in Noro, Western Province. The Company commenced operations in 1973 as Solomon Taiyo Limited, at that time, a 100 percent pole and line tuna fishing operation. In 2010, the Tri Marine Group of Companies acquired a controlling shareholding of the facility.^{10,11}

The IFC's \$10 million loan is part of a \$27 million upgrade and expansion project, which is expected to increase the company's processing capacity from 90 tons a day to 150 tons a day and strengthen sustainability of its operations.

SolTuna obtains its product from the National Fisheries Development Ltd. (NFD)¹², based in Noro. NFD is the Solomon Islands only domestic tuna fishing operation. NFD has over a 90 percent Solomon Islander crew on its vessels. NFD's fleet of five purse seiners and three pole-line boats catches around 25 percent of the commercially caught tuna in Solomon Islands.¹³ NFD is expected to catch about 28,000 MT of fish in 2016. NFD also holds 30 of the 100 longline vessel licenses in Solomon Islands.

SolTuna primarily processes skipjack and yellowfin tuna which is primarily targeted by purse seiners. Currently, SolTuna is processing 100-105 MT/day and would like to expand it to 120-130 MT/day.

SolTuna sells its products primarily in the Pacific Island region and exports frozen tuna loins to Italy for further processing by the Bolton Group.¹⁴

Together, SolTuna and NFD are responsible for over SBD¹⁵ 400 million in export earnings and SBD 65 million in payments to the Solomon Islands government.

Findings:

Performance Standard 2: Labor and Working Conditions

- I. Gender - SolTuna is the largest employer of women in the Solomon Islands with approximately two-thirds women employees. SolTuna management has been encouraging and offering opportunities for women to apply for jobs in areas outside of production line, such as in the trades, security and operating machinery sections of the company.

¹⁰ TriMarine Group of Companies has 51% share of SolTuna. Tri Marine's business includes fishing, procurement, processing, and trading of tuna and other seafood products. A privately held company headquartered in Bellevue, Washington, Tri Marine has offices in 14 countries with 12 processing plants located around the globe. The company's fleet of 21 fishing vessels operates primarily in the Western Pacific. Since its founding in 1971 in Singapore, Tri Marine has grown to be one of the largest tuna supply companies in the world.

¹¹ <http://www.undercurrentnews.com/2012/08/22/tri-marine- owned-cannery-to-ramp-up-production/#.UIR10IXca9Y>

¹² NFD is a wholly owned subsidiary of the TriMarine Group of Companies.

¹³ TriMarine is planning to relocate one of its purse seiner based in American Samoa. The transfer is intended to meet SolTuna's increasing demand for tuna caught by Solomon Islands flag vessels. <http://www.talane.com/2016/07/20/tri-marine-purse-seiner-relocates-to-solomons/>

¹⁴ Europe's largest branded tuna company and owner of leading Italian brand Rio Mare

¹⁵ SBD = Solomon Islands Dollar

In July 2016, the Australian Government announced a new \$2.3 million initiative to help address barriers to women's participation in the workplace in Solomon Islands. In partnership with the International Finance Corporation (IFC), Australia's four year program will provide tools and support for businesses to recruit, retain and promote women as employees, business leaders and partners, including in non-traditional roles.¹⁶ The new program started working with SolTuna in the second half of 2016.

2. Worker Safety – The IFC is working with SolTuna to enhance the company's Occupational Health and Safety capacity. SolTuna recently hired two full time safety officers, one for each 12 hour shift as part of this effort. The company is working to instill in employees that safety is part of their operations. This effort is further reinforced through a safety incentive program.
3. Community relations - The tuna processing facility has been part of Noro community since the 1970's. Maintaining good community relations is a priority for SolTuna management. For example, SolTuna maintains a health clinic that serves company employees and immediate family members (approximately 8,000 people). In addition, the clinic provides outreach to surrounding communities on disease prevention, in addition to providing mosquito nets. SolTuna is also building a walkway along one street for easy pedestrian movement and access to the clinic and school. They are also working on relocating the landing dock used by the community to a safer location. SolTuna employees are from all over the Solomon Islands, Therefore, SolTuna maintains its own employee housing for both men and women which is being upgraded as part of the 2013 IFC loan.

Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Resources

1. Tuna species: SolTuna is sourcing its product from NFD purse seiners which target mainly skipjack and yellowfin. Both of these species are determined to have healthy populations.
2. As part of SolTuna management plan under the IFC loan, the IFC required MSC certification of NFD. TriMarine and its subsidiary, NFD, led the effort to secure MSC certification in the Solomon Islands and will now be able to increase the supply of tuna eligible to be sold with the MSC label. SolTuna product is fully traceable from fishing vessels to processing to customer sale.
3. Observer coverage: The Naru convention requires 100 percent observer coverage¹⁷ on purse seine vessels. There has been historically deficient monitoring of longline vessels.¹⁸ Starting in 2017, the Solomon Islands Government (SIG) will require 100 percent camera monitoring on all longline vessels licensed from the Solomon Islands. Currently the SIG is developing domestic legislation to allow for the use of electronic evidence in court proceedings, when necessary. The Solomon Islands

¹⁶ <http://solomonislands.embassy.gov.au/honi/230716.html>

¹⁷ Vessels have onboard observers, whose role includes verification of fishing locations, reporting of fish caught on vessels, and compliance with national and international requirements - Observers record size and length of target species, where boats fail to obey the law, fishing locations, and interactions with species of "special interest," which are the sharks, sea turtles and whales also caught in fishing gear.

¹⁸ Most of the longline vessels operating in Solomon Islands EEZ are Taiwanese flagged vessels. The majority of longline vessels land in Fiji due to easier access to supplies, fresh crews, cheap fuel and maintenance compared to the facilities in Noro.

will be the first country to require camera monitoring. The camera system will cost approximately USD 12,000 per vessel. Reportedly, PEW and WWF will provide financial resources to cover some of the cost of the cameras and installation. The SIG is also considering offering concessional licensing to offset the cost of the cameras. Software is being developed to facilitate the review of the video by the Ministry of Fisheries and Marine Resources Compliance Office.

Performance Standard 3: Resource Efficiency and Pollution Prevention

SolTuna is working to reduce its waste effluents, diversify water sources, diversify energy generation and improve energy efficiency for its operations. Below are examples of the work and initiatives that are being undertaken.

1. Fishmeal production: Fishmeal production produces organic effluents comprising protein solids and oil. SolTuna is currently collecting the fish oil from this process. The company is planning to eliminate the rest of its waste effluent production by installing a waste heat evaporator which will eliminate waste water and only release steam.
2. Diversification of water sources: Due to high levels of rainfall (average 7 meters/year) SolTuna is installing a rainwater collection system and a 3,000,000 liter (effective capacity of 2,000,000 liter) storage tank for use in the production system. This system will reduce the need to use the Noro city water supply. Water obtained from SolTuna boreholes will be used in conjunction with the rainwater collection system.

As part of the tuna processing, frozen tuna are moved to thawing tanks prior to initial preparation. Chlorinated, borehole water is currently used in the tuna thawing process. This water is re-used, resulting in greater concentrations of organic compounds. SolTuna is in the process of converting this process to an ozone treated - saltwater system to thaw the fish with immediate discharge of the saltwater following one cycle of thawing. Since fish preparation is one of the waste effluents, the use of the saltwater cycling process will reduce the concentration of organic solids.

3. Energy diversification and efficiency: SolTuna operations depend on electricity produced by three generators. The company is currently exploring options for reducing its carbon footprint by installing solar power and thus eliminating the need for one generator.

SolTuna has installed Fitch catalytic systems in the boilers and generators resulting in cleaner fuel burns and ten percent efficiency gains.

Recommendation

SolTuna is viewed by other countries in the region as a model for development of other tuna facilities. The IFC has encouraged SolTuna to monitor its organic waste effluents. SolTuna is moving towards substantially reducing its organic waste effluents in the processing chain as discussed in the findings. However, as a model for other facilities, it is recommended that SolTuna install flow meters on its waste resources to determine the discharge before and after improvements.